

CHAPTER 15
PERMIT HOLDERS DUTY TO REPORT

[Prior to 7/13/88, see Accountancy, Board of[10]]

193A—15.1(542C) Reporting acts or omissions committed by holders of permits to practice.

15.1(1) Iowa Code section 272C.9(2) requires one who is licensed by the board to report acts or omissions of others licensed by the board, that demonstrate a lack of qualifications which are necessary to assure the residents of this state of a high standard of professional and occupational care. For the purposes of this rule, the failure to perform an engagement for a client in accordance with professional standards is a demonstration by a CPA or AP that they may lack such qualifications. These professional standards are set forth in the following:

- a.* 193A—subrule 11.3(1) as to the independence of a CPA when expressing opinions on financial statements.
- b.* 193A—subrule 11.3(2) as to the integrity and objectivity of a CPA or AP when performing services for clients.
- c.* 193A—subrule 11.3(3) as to the independence and objectivity of a CPA or AP who pays or accepts commissions.
- d.* 193A—subrule 11.3(4) as to the independence and objectivity of a CPA or AP who performs services for a contingent fee.
- e.* 193A—subrule 11.3(5) as to the independence and objectivity of a CPA or AP concurrently engaged in an incompatible occupation.
- f.* 193A—subrule 11.4(1) as to the competence of a CPA or AP.
- g.* 193A—subrule 11.4(2) as to the compliance with generally accepted auditing standards.
- h.* 193A—subrule 11.4(3) as to the compliance with generally accepted accounting principles.
- i.* 193A—subrule 11.4(4) as to associating the permit holder's name with forecasts.

15.1(2) When a CPA or AP, who holds a permit to practice, observes a violation of any of the subrules referenced in subrule 15.1(1), the permit holder shall report the violation, in writing, to the board office setting forth the name of the CPA or AP alleged to have committed the violation, the rule(s) violated, together with a copy of all material that evidences the violation.

193A—15.2(542C) Reporting judgments and settlements alleging malpractice.

15.2(1) Iowa Code section 272C.9(3) requires a licensee to report to the board every adverse judgment in a professional malpractice action to which the person is a party and every settlement of a claim against the licensee. For the purposes of this rule malpractice actions brought against a partnership or professional corporation registered with the board will be deemed to have been brought against the individual partners or shareholders registered with the board provided they are "operating partners" or "operating shareholders" in the office that performed the services that led to the malpractice action.

15.2(2) When a CPA or AP is a party to an adverse judgment resulting from a professional malpractice action or is a party to a settlement of a claim resulting from an allegation of malpractice, they shall file a report, in writing, forwarded to the board office, setting forth the name and address of the client, date claim was originally made, a brief description of the circumstances precipitating the claim and a copy of the judgment or settlement agreement resulting from the claim. It is the intent of this rule to require the reporting of all judgments or settlements resulting from claims that were initiated by court action and not claims of malpractice that are made against a CPA or AP that are not filed in a court of law.

193A—15.3(542C) Timely reporting. The reports required by rules 193A—15.1(542C) and 193A—15.2(542C) are to be forwarded to the board within a reasonable period of time from the initial obtaining of the information required to be reported. A period of less than 60 days will be considered to be a reasonable period of time.

193A—15.4(542C) Failure to make reports. Upon obtaining information that a CPA or AP failed to file a report required by rule 193A—15.1(542C) or 193A—15.2(542C) within a reasonable period of

time the board shall initiate a disciplinary proceeding against the CPA or AP who failed to make the required report.

These rules are intended to implement Iowa Code chapter 272C.

[Filed 9/27/78, Notice 8/23/78—published 10/18/78, effective 11/22/78]

[Filed 6/22/88, Notice 3/9/88—published 7/13/88, effective 8/17/88]

[Filed 8/1/91, Notice 5/15/91—published 8/21/91, effective 9/25/91]

[Filed 12/10/91, Notice 10/30/91—published 1/8/92, effective 2/12/92]

[Filed 12/17/93, Notice 10/13/93—published 1/5/94, effective 2/9/94]